

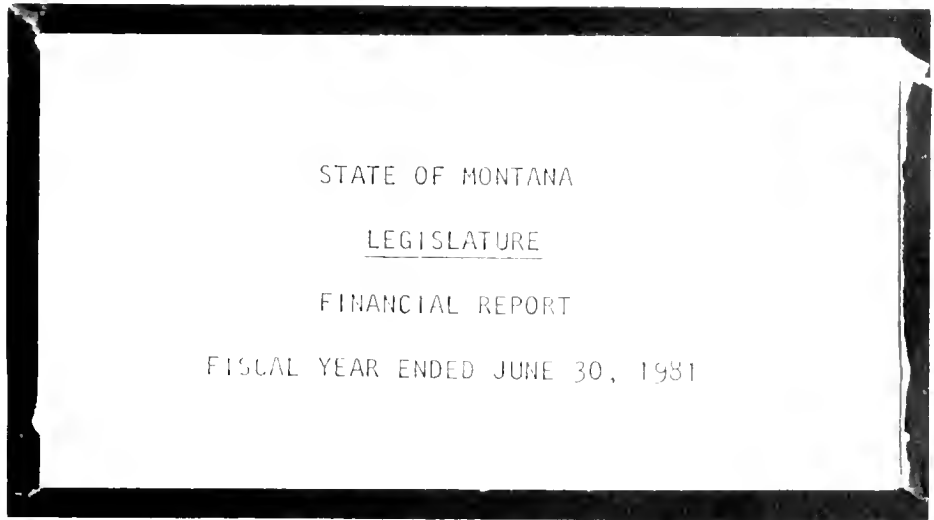
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STATE OF MONTANA

LEGISLATURE

FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 1981

STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59611
406/448-3121



JAMES H. GILLETT, C.P.A.
ACTING LEGISLATIVE AUDITOR

September 1981

JOHN W. NORTHEY
STATE LEGISLATIVE COUNCIL

The Legislative Audit Committee
of the Montana State Legislature:

Transmitted herewith is the report on the audit of the Legislature
for the year ended June 30, 1981.

The audit was conducted by Hugh McWhorter, CPA, under a contract
between the firm and our office. The comments and recommendations
contained in this report represent the views of the firm and not
necessarily the Legislative Auditor.

The agency's written response to the report recommendations is
included in the back of the audit report.

Respectfully submitted,

A handwritten signature in cursive script that reads "James H. Gillett".

James H. Gillett, CPA
Acting Legislative Auditor

TABLE OF CONTENTS

	<u>Page(s)</u>
Officials	1
Summary of Recommendations and Responses	2
Accountant's Report on Financial Statements	3-4
Financial Statements	5-7
Supplementary Information	8-10
Report on Material Weaknesses in Internal Accounting Control	11-13
Agency Response to Report on Material Weaknesses in Internal Accounting Control	14

LEGISLATURE

OFFICERS AND OFFICIALS
(47th LEGISLATIVE SESSION)

SENATE

President	Jean A. Turnage
President Pro Tempore	Allen C. Kolstad
Secretary	John Larson

HOUSE OF REPRESENTATIVES

Speaker	Robert L. Marks
Speaker Pro Tempore	Arthur E. Lund (*)
Chief Clerk	Donald L. Byrd

* -- Resigned May 11, 1981

Legislature

Summary of Recommendations

RECOMMENDATION:

Implement PAMS to a point of providing a complete accounting for all Legislature fixed assets, including the significant amount which have unit costs of under \$200.

RESPONSE:

Agree. The Department of Administration should provide instructions and methods for grouping like kinds of assets under \$200.

RECOMMENDATION:

Department of Administration should bill Legislature for Legislature's proportionate share of the costs of occupancy of The State Capitol.

RESPONSE:

Disagree. House and Senate occupy facilities in question only about four months out of every other year. Recommendation would be too burdensome and a nightmare of paperwork.

RECOMMENDATION:

Renew Senate Roll Call Lease and see that delinquent personal property taxes are paid.

RESPONSE:

Lease has been renewed. Does not know if delinquent taxes have been paid.

HUGH A. McWHORTER
CERTIFIED PUBLIC ACCOUNTANT
2103 GOLD RUSH AVE
HELENA, MONTANA 59601

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MONTANA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

PHONE 406 443 1461

Legislative Audit Committee
State Capitol
Helena, Montana

I have examined the financial statements of the General Fund and the General Fixed Asset Account Group of the Legislature for the fiscal year ended June 30, 1981, listed in the foregoing table of content. Except as stated in the paragraph which follows, my examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

The accompanying notes to financial statements disclose that certain fixed assets aggregated \$28,940 at June 30, 1981. Audit tests of the physical existence of fixed assets has disclosed that substantial amounts of fixed assets are not included in the Legislature's financial statements. A determination has not been made as to the dollar value of this exclusion. Audit tests have further disclosed that inventory of supplies existed at June 30, 1981. Such an asset is not reflected in the accompanying financial statements and a determination has not been made as to the materiality of such assets.

In my opinion, with the exception of the omission of inventories discussed in the preceding paragraph, the accompanying financial statements present fairly the financial position of the General Fund of the Legislature as of June 30, 1981, and the results of operations of the Fund in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. The General Fixed Asset Account Group is not presented fairly due to the omission of the amounts disclosed in the preceding paragraph. In addition, the reader's attention is directed to Note 3 of Notes to Financial Statements for a full discussion of the change in accounting for fixed assets which was implemented during fiscal year 1981.

My examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information appearing on pages nine and ten and the column on the accompanying balance sheet captioned "Total - Memorandum Only" are

presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Ray A. McWhorter

August 31, 1981
Helena, Montana

Legislature
 Combined Balance Sheet
 June 30, 1981

	Combined General Funds	General Fixed Assets Group of Accounts	Totals (Memorandum Only)
<u>ASSETS</u>			
Due From State of Montana General Fund	\$ 13,022	\$ --	\$ 13,022
Accounts Receivable	\$ 2,209	\$ --	\$ 2,209
Equipment	\$ --	\$ 78,930	\$ 78,930
	<hr/>	<hr/>	<hr/>
	\$ 15,231	\$ 78,930	\$ 94,161
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Accounts Payable	\$ 5,465	\$ --	\$ 5,465
Accrued Expenditures	\$ 9,766	\$ --	\$ 9,766
Investment In General Fixed Assets	\$ --	\$ 78,930	\$ 78,930
Fund Balance	\$ --	\$ --	\$ --
	<hr/>	<hr/>	<hr/>
	\$ 15,231	\$ 78,930	\$ 94,161
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes to financial statements are an integral part of this statement.

Legislature

Combined Statement Of Revenues, Expenditures
And Changes In General Fund Balance

Fiscal Year Ended June 30, 1981

	General Fund		
	Budget	Actual	Variance
Revenue	\$ --	\$ --	\$ --
Expenditures	\$2,390,712	\$2,262,453	\$ (128,259)
Excess Of Current Revenue Over (Under) Current Expenditures	(2,390,712)	(2,262,453)	(128,259)
Other Financial Sources:			
Sale of Fixed Assets to SRS	\$ --	\$ 549	\$ (549)
Support From State General Fund	\$2,390,712	\$2,261,904	\$ 128,808
Total Other Financial Sources	\$2,390,712	\$2,262,453	\$ 128,259
Excess of Revenues and Other Financial Sources Over (Under) Expenditures	\$ --	\$ --	\$ --
Fund Balance July 1, 1980	\$ --	\$ --	\$ --
Fund Balance June 30, 1981	\$ --	\$ --	\$ --

The accompanying notes to financial statements are an integral part of this statement.

Legislature

Notes To Financial Statements

Year Ended June 30, 1981

(1) Summary of Significant Accounting Policies.

The financial statements have been prepared on the modified accrual basis in accordance with generally accepted accounting principles as defined by the National Council On Governmental Accounting.

(2) Appropriations.

The Legislature utilizes a fixed basis of budgeting. Under the fixed method, appropriations of specific dollar amounts are set by the Legislature. Appropriations control the Legislature's financial operations during each biennium. At the end of each biennium, the remaining appropriation balance reverts to the fund of original appropriation.

(3) General Fixed Assets.

Previous to fiscal year 1981, the Legislature did not include a General Fixed Asset Group of Accounts in its financial statements. Effective in fiscal year 1981 selected fixed assets, owned by the legislature were inventoried and costs of \$78,930 were assigned thereto. Such costs are incomplete in that they do not include a substantial portion of assets owned by the Legislature.

(4) Retirement Plan.

Legislators of the State have the option to participate in the State of Montana's Public Employee's Retirement System. Under this option, Legislators contribute their portion of the plan as if they were employed, for a full year. It is impractical to separately disclose actuarial information for those Legislators who have elected to participate in the plan.

Legislature
Supplementary Information

HUGH A. McWHORTER
CERTIFIED PUBLIC ACCOUNTANT

Appr

Appr

Tot-

Sup;

App

Bal.

Legislature
General Fund

Supplemental Statement of Support Expenditures Compared with Appropriations

Year Ended June 30, 1981

	House Of Representatives Carry Forward	Senate Carry Forward	House House Bill No. 1 Operation	Senate	Total
Appropriation carry forward At June 30, 1980	\$ 151,660	\$ 84,359	\$ --	\$ --	\$ 236,019
Appropriation by the 47th Legislature	\$ --	\$ --	\$ 1,658,854	\$ 1,017,949	\$ 2,676,803
Total Spending Authority	\$ 151,660	\$ 84,359	\$ 1,658,854	\$ 1,017,949	\$ 2,912,822
Support Expenditures	\$ 70,867	\$ 36,293	\$ (1,342,127)	\$ (812,506)	\$ (2,262,453)
Appropriation Reversion	\$ 130,793	\$ (47,466)	\$ --	\$ --	\$ (128,259)
Balance Carry Forward to 1981-82	\$ --	\$ --	\$ 316,667	\$ 205,443	\$ 522,110

HUGH A. McWHORTER
CERTIFIED PUBLIC ACCOUNTANT
2103 GOLD RUSH AVE.
HELENA, MONTANA 59601

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MONTANA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Form 406-443-1461

Legislative Audit Committee
State Capitol
Helena, Montana

I have examined the financial statements of The Legislature for the year ended June 30, 1981, and have issued my report thereon dated August 31, 1981. As part of my examination, I made a study and evaluation of The Legislature's system of internal accounting control to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of my study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on The Legislature's financial statements. My study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of The Legislature is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of The Legislature taken as a whole. However, my study and evaluation disclosed the following conditions

that I believe result in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of The Legislature may occur and not be detected within a timely period.

Fixed Assets

During the fiscal year 1981, the Property Accountability Management System (PAMS) was implemented by The Legislature to account for its investment in fixed assets. While significant progress has been made in accounting for The Legislature's fixed assets, significant amounts of Legislature fixed assets are not reflected in these records. Although many of the omitted assets have unit costs of less than \$200 and therefore the Legislature procedures for these assets follow Department of Administration directives, such assets, in the aggregate, constitute a significant dollar amount of fixed assets. Therefore, I would recommend that PAMS be implemented to a point of providing a complete accounting of all fixed assets owned by The Legislature.

Rental Charges

All occupants of The State Capitol are charged rent by The Department of Administration with the exception of The Legislature. Upon discussing this matter with a representative of The Department of Administration, I was advised that rent for The Legislature is "general funded" within The Department of Administration's budget. I was further advised that rental charges to other occupants represents their proportionate share of these costs of occupancy -- i.e., utilities, maintenance, etc.

While the allocation of costs such as these is certainly a fundamentally sound concept, it would seem that such an allocation process should include The Legislature. Accordingly, I recommend that costs relative to the occupancy of The House and Senate facilities be billed to The Legislature by The Department of Administration.

Senate Roll Call Equipment Lease

The Senate Roll Call Equipment Lease expired March 5, 1981. In addition personal property taxes have not been paid for the past four years. I recommend that these matters be resolved.

These conditions were considered in determining the nature, timing, and extent of audit tests applied in my examination of the 1981 financial statements and this report does not affect my report on these financial statements dated August 31, 1981.

In addition, my examination also revealed the following.

Payroll Withholdings

Detail tests of payroll withholdings revealed four instances where there was a variance between exemptions claimed per W-4's on file and exemptions

used to compute payroll withholdings. These exceptions related exclusively to page or attache compensation when individuals were either claiming exempt status or were requesting that withholding be made at higher single rates.

As part of the current year's examination, the current status of prior audit findings was reviewed. Their status is as follows:

- * inventory of fixed assets needs completion (see current year comment),
- * start up costs have been appropriately covered through feed bill funding,
- * no prior year expenditures were incurred in the year under examination,
- * preferred levels of appropriations control over operating appropriations have been determined, and
- * Helena legislators continue to receive expense reimbursements at rates which coincide with rates received by out of town legislators residing in Helena during Legislative Sessions.

* * * * *

I appreciate the opportunity to have conducted this examination and am particularly grateful for the courtesies extended to me during the course of the examination.

A handwritten signature in cursive script, appearing to read "Stylin...".

August 31, 1981
Helena, Montana

SENATE MEMBERS

PAT M. GOODOVER
CHAIRMAN
CARROLL GRAHAM
JOSEPH P. MAZUREK
JESSE O'HARA

HOUSE MEMBERS

JOHN VINCENT
VICE CHAIRMAN
REX MANUEL
BURT L. HURWITZ
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Montana Legislative Council

State Capitol
Helena, MT. 59620

(406) 449-3064

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SHAROLE CONNELLY
DIRECTOR, ACCOUNTING DIVISION

ROBERT C. PYFER
DIRECTOR, LEGAL SERVICES

AGENCY RESPONSE TO DRAFT REPORT

Fixed Assets

I agree with the Auditor's recommendation. The Department of Administration should provide instructions and methods for grouping like kinds of assets under \$200 for input on PAMS.

Rental Charges

I agree with the concept of allocation of costs but in this case I think it would be too burdensome and a nightmare of paperwork because the House and Senate occupy the facilities in question only about four months out of every other year. The rest of the time such facilities are used by other state officials and by the general public. Almost any day of the week you can find such groups as the Boy Scouts, Youth Government, Girls State, Legacy Legislature, Business Women, Mountain Bell, Montana Power, United Way, Montana Mining Association, Democratic or Republican Central Committees or similar organizations using the facilities.

Senate Roll Call Equipment Lease

The Senate Secretary informs me that the lease has been renewed and negotiations for lower taxes successful. I have no knowledge concerning whether or not the taxes have been paid.

Payroll Withholdings

My only comment is that these were simply clerical errors that do not affect the internal financial records of the Legislature, but of course we hope they won't happen again.

Diana S. Dowling
Diana S. Dowling

